



## **DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS**

For Immediate Release  
January 16, 2002

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### **O'NEILL STATEMENT ON THE NATIONAL RESEARCH PROGRAM**

Today the Internal Revenue Service announced they are developing a new program, the National Research Program, which will help ensure that taxpayers are paying their fair share of taxes, while providing the IRS with the necessary tools to measure compliance.

“The US tax system is predicated on fairness -- that individuals are taxed fairly and that everyone pays their fair share. This sense of fairness is the foundation for confidence in our tax system -- while no one likes paying taxes, they want to know that tax dollars are fairly collected. The result has been traditionally high voluntary compliance with the law in the U.S. If we can't make sure that everyone pays their fair share, then honest taxpayers get stuck making up the difference. So, tracking taxpayer compliance is a cornerstone of a fair tax system,” stated Treasury Secretary Paul O'Neill.

“The problem is that currently, there are no up-to-date data on who is and is not paying their fair share, and why. While we have a general sense of the tax gap, and we know that compliance is uneven, we don't have the necessary information to know how big the problem is or how to fix it.

“As a result, right now, when the IRS chooses which taxpayers to audit, too many law-abiding taxpayers are subjected to audits for the wrong reasons, when they've done absolutely nothing wrong. The IRS is simply auditing too many of the law-abiders and not enough of the people who avoid paying taxes because they lack the basic information to make informed audit decisions. That only hurts the honest taxpayers and helps the cheats, and that's backwards. The NRP will help put us back on the right track,” O'Neill stated.

For the last 15 years the IRS has not been collecting taxpayer compliance information because there were major problems with the original data collection program (TCMP) and methods, especially audits, being overly burdensome and intrusive on taxpayers.

The problems with the old TCMP program have been addressed, and IRS has now come up with a vastly improved way to get the necessary information on tax fairness, called the National Research Project. This new approach will allow the IRS to gather the necessary tax fairness data without excessively burdening taxpayers.

“The NRP may eliminate up to 15,000 unnecessary audits of honest taxpayers every year, and instead focus tax enforcement on those who are not paying their fair share. The NRP project will occur within the existing level of audit activity and will not itself involve additional audits or examinations of taxpayers,” O’Neill concluded.